





# **The Top 10 Things You Must Know About Negotiations**

**Leigh Thompson**



You spend more time negotiating than you do driving to work each day. The need to negotiate can happen at any time—sometimes once a day and sometimes more than once a day. This list is about how to make sure you are prepared and ready to negotiate on the roughest of terrain, with the most daunting road conditions.

## **1. Prepare**

Even if you've got only an hour—or just moments—to prepare, there are several crucial steps you have to take.

1. Identify your key goals.
2. Brainstorm your options.

## The four fundamental rules of brainstorming:

- Suspend your initial judgment and just list all options that come to mind, even outlandish ones.
- Strive for quantity—often, a good idea emerges from several wild sounding ones.
- Reserve judgment and evaluation until later.
- Be ready to mix, match, and combine different options.

3. Plan your opening move.

## 2. Plan Your Concessions

You should plan on making concessions on issues that are the least important to you. But don't open with or make the concession unless you need to do so. Don't expect the other side to give you credit for making a concession. They usually won't. For this reason, you need to announce your concession and spell it out.

### 3. Go for a Win-Win

Being tough or nice should not be your choice. It's possible to achieve both cooperation (creating value) and competition (claiming value).

- **Creating value**—Creating value refers to “win-win” negotiation. It is the process of developing deals that

represent mutual gains for all parties involved. To create value, you need to cooperate with the other parties and genuinely work with their interests in mind.

- **Claiming value**—No one wants to get no part of the orange or just a sliver. It's necessary to make claims in a negotiation. But, making claims is different from making demands.

Your optimal results can come from cooperation in working with the other party to understand and explore issues and interests while being competitive enough to claim valuable resources for yourself. Simply put, a win-win negotiation is a negotiated outcome in which parties have reached an



agreement that cannot be mutually improved upon.

#### **4. Identify Your BATNA**

Having a BATNA—a “best alternative to negotiating an agreement”—in advance is your key source of power in a negotiation. It’s your ability to walk away. It’s the power of alternatives.

Even if your BATNA is unattractive to you, at least you have one. You can always do something if you fail to reach an agreement with the other party, even if it means becoming jobless, homeless, or bankrupt. Of course, those are extreme cases. In most negotiations, people have a few alternatives that might not be ideal, but they’re tolerable.

## **5. Don't Satisfice**

Nobel Laureate Herb Simon coined the term “satisficing” for the human tendency to suboptimize—to work just enough to achieve a mediocre goal. Simon contrasted satisficing with a much more productive behavior: optimizing. First and foremost, negotiators just plain set their sights too low. You will go away from a negotiation feeling the loser if you settle for the first set of tolerable terms. Keep in mind your ultimate aspirations and explore more routes to achieving these. This optimizing leads to more win-win agreements.

## **6. Ask the Right Questions**

Most negotiators don't ask enough questions. Not surprisingly, then, negotiators don't exchange a lot of information. The other problem is that when negotiators do ask questions, they ask the wrong kinds of questions. For example, negotiators often ask intrusive questions about the other party's best alternative to a negotiated agreement (BATNA); these queries do not help the negotiators expand the pie. A good rule of thumb: Do not ask the other party a question you are unwilling to answer yourself.

In general, win-win questions satisfy one or more of the "triple I" principles: interests, incentives, and inquiry.

- Win-win questions elicit information

about the underlying interests of the other party, rather than about their demands. For example, a landowner negotiating use of his land for pasture to a cattle rancher might ask, “Are water rights or alternative access routes to the pasture important to you?”

- Win-win questions do not give other parties an incentive to lie or misrepresent themselves. If the cattle rancher asks how many cattle could feed and water on an average acre of the property owner’s land, there is no incentive for the landowner to lie about a need for excessive rent.

- Good win-win questions allow the other party to either confirm or refute. This type of question-asking is an

inquiry, as opposed to advocacy. These leave you open to multiple outcomes, so you test hypotheses and predictions about which outcome would be win-win. Thus, inquiry-based negotiators ask questions much like a scientist would. The answers give them data to either refute or support their predictions.

## **7. Be Firm, but Flexible**

The term “logrolling” is derived from political science, where it describes how one party might support another’s bill or legislation in return for reciprocal support. In that domain, logrolling has a slightly sleazy connotation. In negotiation, logrolling is smart, not sleazy.

To logroll effectively, you must do the following.

- Identify more than one issue under negotiation. (Otherwise, there is no possibility for trade-offs.)
- Have different preferences concerning the issues.
- Be able to mix-and-match different alternatives for each issue.

If you are positional or demanding, logrolling will be much more difficult. Logrolling is the art and science of being firm, but flexible. You need to be firm about the issues most important to you but flexible on things that are not as important.

## **8. Consider Postsettlement Settlements**

A postsettlement settlement represents a mutual improvement over a given deal that both parties currently find acceptable. About 75 percent of negotiators, given an opportunity for a postsettlement settlement, are able to mutually improve upon the deal.

Think also about the motivation you have when you go back to negotiate after a deal has been reached. If you think they can bully, badger, or harangue the other party into giving up more of the pie, you are sadly mistaken. Rather, you must realize that the only way to improve your own outcome is by improving the other party's outcomes.

## 9. Consider Contingent Agreements

Sometimes you and the other party might vehemently disagree about a current state of affairs or what can plausibly be expected to happen in the future. Sometimes such disagreements can be resolved by consulting experts or conducting research. However, you often cannot resolve such disagreements because no relevant data exists, or you and the other party might disagree regarding the data's relevance or interpretation. In such situations, you can reach resolutions using contingent contracts.

Contingent contracts are if-then agreements that specify conditions under which specific actions will result



in specific outcomes. You can use contingent contracts in many, if not most, business negotiations. They work because contingent contracts open up the possibility of win-win deals—they capitalize on you and the other party's differing views of the world.

## **10. Use Reason, Respect, and Reciprocity**

Whether you love or hate, trust or distrust the other party, you always want to extract the maximum potential value of a deal. One of the key revelations related to win-win negotiations is that you should always want to maximize the pie, regardless of circumstance or whether you are an altruist or opportunist. Win-win negotiation can be

used solely for self-interest, but it is also the best strategy in completely altruistic negotiations. You should assume that the other party is every bit as smart and motivated as you are.

This also means not acting under the faulty belief that aggression will lead to submission in the target. Inevitably, aggression invites aggression. You can gain far more with reciprocity.

The reciprocity principle is probably the most important but least understood concept in psychology. It characterizes relationships among people, groups, and warring nations. The reciprocity principle is quite simply the tendency for people to treat others the way they are treated.

Salespeople understand the reciprocity effect. Excellent salespeople know that small acts of generosity create powerful psychological obligations that result in big sales. Feelings of indebtedness to others run deep; if one group receives a favor from another group but is unable to return the favor immediately, it carries that debt into the next generation to repay.

Why, then, do so many well-meaning negotiators behave like bulldogs in negotiation and wonder why the other party chooses to escalate instead of back down? The answer is simple: We hold a psychological double standard when it comes to using force. We think that if we use force, we can intimidate and

weaken the other party. Yet, we believe that if someone uses force with us, we will retaliate.

So, when you think about flexing muscle in a negotiation, be warned that doing so will most definitely increase the probability that the counterparty will flex muscle, too.



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